

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Pickford, Michigan	County Chippewa
Fiscal Year End June 30, 2006	Opinion Date August 23, 2006	Date Audit Report Submitted to State November 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
Zip 49788			
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma	License Number 1101024989	

PICKFORD TOWNSHIP

BASIC FINANCIAL STATEMENTS

June 30, 2006

PICKFORD TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

JIM HILL

TOWNSHIP TREASURER

PEGGY McCONKY

TOWNSHIP CLERK

LINDA MILLER

TOWNSHIP TRUSTEE

MERLIN GAYLER

TOWNSHIP TRUSTEE

KEVIN DECKER

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Pickford
Pickford, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pickford, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pickford, Michigan as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 23, 2006

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased .4% from a year ago increasing from \$794,412 to \$797,648. In a condensed format, the table below shows a comparison of the net assets as of the current date.

A comparative analysis will not be performed in future years because Townships with a population less than 4,000 people are required to be audited every other year.

In a condensed format, the table below shows the net assets of Pickford Township.

	<u>Governmental Activities 2006</u>
Current Assets	\$ 408,929
Noncurrent Assets	<u>388,719</u>
Total Assets	<u>\$ 797,648</u>
Net Assets	
Invested in Capital Assets	\$ 388,719
Unrestricted (Deficit)	<u>408,929</u>
Total Net Assets	<u>\$ 797,648</u>

The current level of unrestricted net assets for our governmental activities stands at \$408,929, or about 84% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities 2006</u>
Program Revenues	
Charges for Services	\$ 75,559
General Revenues	
Property Taxes	235,588
State-Shared Revenues	118,392
Unrestricted Investment Earnings	4,125
Other Revenue	<u>56,687</u>
Total Revenues	<u>490,351</u>
Program Expenses	
Legislative	5,125
General Government	175,546
Public Safety	48,036
Public Works	138,171
Health and Welfare	80,048
Other Expenses	<u>40,189</u>
Total Expenses	<u>487,115</u>
Changes in Net Assets	3,236
Net Assets – Beginning	<u>794,412</u>
Net Assets – Ending	<u>\$ 797,648</u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$32,000, primarily due to the continuing increase in property tax values and an increase in charges for services collected.

Expenses, excluding depreciation increased by the rate of inflation during the year. This was primarily the result of close budget monitoring throughout the year. Depreciation decreased from \$60,117 to \$40,792 primarily due to an emergency vehicle fully depreciated in fiscal 2005.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, Road millage and EMS millage.

The General Fund pays for most of the Township's governmental services. The most significant are General Government and Health and Welfare, which incurred expenses of approximately \$235,573 in 2006. These services are largely supported by taxes, revenue sharing, and charges for services, which are recorded in the General fund. The Road and EMS funds record the receipts from the special millages, which are used to pay for capital outlays for Township roads and emergency equipment. Ambulance services were financed by charges for services of \$55,912. The remaining costs of General Government, Public Works, and EMS are funded by other general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Township departments overall stayed below budget, resulting in total expenditures \$114,882 below budget. This allowed the General Fund's fund balance to increase from \$159,968 a year ago to \$165,561 at June 30, 2006.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$388,719 invested in a broad range of capital assets, including buildings, ambulance, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2006 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office at: P.O. Box 456, Pickford, Michigan, 49774 or (906) 647-3361.

Basic Financial Statements

Pickford Township, Michigan**Statement of Net Assets
June 30, 2006**

	Governmental Activities
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 380,353
Accounts Receivable	3,963
Prepaid Expenses	24,613
	<hr/>
Total Current Assets	408,929
	<hr/>
Noncurrent Assets	
Capital Assets (Not Depreciated)	23,400
Capital Assets (Net of Accumulated Depreciation)	365,319
	<hr/>
Total Noncurrent Assets	388,719
	<hr/>
TOTAL ASSETS	\$ 797,648
	<hr/> <hr/>
NET ASSETS:	
Invested in Capital Assets	\$ 388,719
Unrestricted	408,929
	<hr/>
TOTAL NET ASSETS	\$ 797,648
	<hr/> <hr/>

Pickford Township, Michigan**Statement of Activities
For the Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues	Governmental Activities
		Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	\$ 5,125	\$ -	\$ (5,125)
General Government	175,546	17,342	(158,204)
Public Safety	48,036	2,305	(45,731)
Public Works	138,171	-	(138,171)
Health & Welfare	80,048	55,912	(24,136)
Other Expenses	40,189	-	(40,189)
Total Governmental Activities	<u>\$ 487,115</u>	<u>\$ 75,559</u>	(411,556)
General Revenues:			
Taxes			235,588
State Revenue Sharing			118,392
Other			56,687
Investment Earnings (Loss)			<u>4,125</u>
Total General Revenues and Transfers			<u>414,792</u>
Changes in Net Assets			3,236
Net Assets - Beginning			<u>794,412</u>
Net Assets - Ending			<u>\$ 797,648</u>

Pickford Township, Michigan**Balance Sheet
Governmental Funds
June 30, 2006**

	General	Road Improvement	Emergency Services	Total Governmental Funds
ASSETS:				
Cash & Equivalents	\$ 136,985	\$ 55,280	\$ 188,088	\$ 380,353
Accounts Receivable	3,963	-	-	3,963
Prepaid Expenses	24,613	-	-	24,613
TOTAL ASSETS	<u>\$ 165,561</u>	<u>\$ 55,280</u>	<u>\$ 188,088</u>	<u>\$ 408,929</u>
FUND BALANCES:				
Unreserved	<u>\$ 165,561</u>	<u>\$ 55,280</u>	<u>\$ 188,088</u>	\$ 408,929
TOTAL FUND BALANCES	<u>\$ 165,561</u>	<u>\$ 55,280</u>	<u>\$ 188,088</u>	
Add: Capital Assets				<u>388,719</u>
Net Assets of Governmental Activities				<u>\$ 797,648</u>

Pickford Township, Michigan**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2006**

	General	Road Improvement	Emergency Services	Totals Governmental Funds
REVENUES:				
Taxes	\$ 75,793	\$ 102,424	\$ 57,371	\$ 235,588
State Sources	118,392	-	-	118,392
Charges for Services	75,559	-	-	75,559
Refunds & Reimbursements	29,059	-	-	29,059
Interest & Rentals	4,125	-	-	4,125
Local Sources	-	-	8,521	8,521
Other Revenue	19,107	-	-	19,107
TOTAL REVENUES	322,035	102,424	65,892	490,351
EXPENDITURES:				
Legislative	5,125	-	-	5,125
General Government	167,739	-	-	167,739
Public Safety	27,265	-	-	27,265
Health & Welfare	67,834	-	-	67,834
Public Works	19,321	118,850	-	138,171
Capital Outlay	-	-	20,031	20,031
Other Expenditures	29,158	-	-	29,158
TOTAL EXPENDITURES	316,442	118,850	20,031	455,323
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,593	(16,426)	45,861	35,028
FUND BALANCES, JULY 1	159,968	71,706	142,227	373,901
FUND BALANCES, JUNE 30	\$ 165,561	\$ 55,280	\$ 188,088	\$ 408,929

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006**

Net Changes in fund balances – total governmental funds \$ 35,028

The change in net assets reported for governmental activities in the
Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is capitalized and the cost of those assets is allocated
over their estimated useful lives and reported as depreciation
expense. This is the amount, by which capital outlays of \$9,000,
exceeded depreciation expense of \$(40,792). (31,792)

Changes in net assets of governmental funds \$ 3,236

Pickford Township, Michigan

Combining Balance Sheet Agency Funds June 30, 2006

	Tax Collection Fund	Pickford Utility Authority	Total
<u>ASSETS</u>			
Cash and Cash Equivalent	\$ 4,580	\$ 125,483	\$ 130,063
TOTAL ASSETS	<u>\$ 4,580</u>	<u>\$ 125,483</u>	<u>\$ 130,063</u>
<u>LIABILITIES</u>			
Due to Others	\$ 4,580	\$ -	\$ 4,580
Undistributed Special Assessments	<u>-</u>	<u>125,483</u>	<u>125,483</u>
TOTAL LIABILITIES	<u>\$ 4,580</u>	<u>\$ 125,483</u>	<u>\$ 130,063</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pickford Township, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Financial Reporting Entity

Pickford Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Pickford Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Pickford Township.

Separate Legal Entities:

Pickford Utility Authority – The Authority is considered to be a separate legal entity, with its own control structure and financial responsibility and, accordingly, is not included in the Basic Financial Statements of the Township.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Pickford Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Pickford Township as of the preceding December 31st.

Although the Pickford Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Pickford Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Pickford Township totaled \$36,175,936, on which ad valorem taxes levied consisted of 1.5531 mills for the Township operating, 2.8241 mills for Roads, 1.4119 mills for E.M.S., raising \$56,185 for operating, \$102,164 Roads, and \$51,077 for E.M.S. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Millage Fund

This fund accounts for activities that create and maintain roads within Pickford Township.

Emergency Service Millage Fund

This fund accounts for the millage revenue to support ambulance services and fire protection in the Township.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents - Unrestricted	\$ 380,353	\$ 130,063

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts	\$ 292,047	\$ 84,933
Certificates of Deposit	<u>88,306</u>	<u>45,130</u>
Total	<u>\$ 380,353</u>	<u>\$ 130,063</u>

Investment and Deposit Risk

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$161,040 of the Township's bank balance of \$514,531 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 23,400	\$ -	\$ -	\$ 23,400
Subtotal	<u>23,400</u>	<u>-</u>	<u>-</u>	<u>23,400</u>
<i>Capital assets being depreciated:</i>				
Buildings	934,000	-	-	934,000
Machinery and equipment	<u>489,200</u>	<u>9,000</u>	<u>-</u>	<u>498,200</u>
Subtotal	<u>1,423,200</u>	<u>9,000</u>	<u>-</u>	<u>1,432,200</u>
<i>Less accumulated depreciation for:</i>				
Buildings	678,800	6,950	-	685,750
Machinery and equipment	<u>347,289</u>	<u>33,842</u>	<u>-</u>	<u>381,131</u>
Subtotal	<u>1,026,089</u>	<u>40,792</u>	<u>-</u>	<u>1,066,881</u>
Net Capital Assets Being Depreciated	<u>397,111</u>	<u>(31,792)</u>	<u>-</u>	<u>365,319</u>
Total Capital Assets - Net of Depreciation	<u>\$ 420,511</u>	<u>\$ (31,792)</u>	<u>\$ -</u>	<u>\$ 388,719</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 7,807
Public Safety	20,771
Health and Welfare	<u>12,214</u>
Total Governmental Activities	<u>\$ 40,792</u>

NOTE 5 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 6 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2006.

Required Supplemental Information

Pickford Township, Michigan**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
<u>REVENUES</u>				
Taxes	\$ 69,200	\$ 69,200	\$ 75,793	\$ 6,593
State sources	120,000	120,000	118,392	(1,608)
Charges for services	69,600	69,600	75,559	5,959
Refunds and reimbursements	25,000	25,000	29,059	4,059
Interest	4,000	4,000	4,125	125
Other revenue	1,600	1,600	19,107	17,507
TOTAL REVENUES	289,400	289,400	322,035	32,635
<u>EXPENDITURES</u>				
LEGISLATIVE				
Township board	6,700	6,719	5,125	1,594
GENERAL GOVERNMENT				
Supervisor	9,700	9,700	9,350	350
Assessor	18,100	18,100	16,571	1,529
Clerk	10,960	10,960	10,384	576
Board of review	1,450	1,450	925	525
Recreation board	500	500	225	275
Elections	4,700	4,705	1,592	3,113
Treasurer	18,100	18,100	12,966	5,134
Teen center	6,458	6,458	3,224	3,234
Cemetery	3,300	3,300	1,211	2,089
Planning and zoning	1,455	1,455	1,530	(75)
Buildings and grounds	96,232	105,366	98,066	7,300
Township park	19,666	20,153	11,695	8,458
Total General Government	190,621	200,247	167,739	32,508
PUBLIC SAFETY				
Fire protection	31,400	31,506	27,265	4,241
HEALTH AND WELFARE				
Ambulance	71,000	71,839	67,834	4,005
PUBLIC WORKS				
Highways and streets	30,400	30,400	7,657	22,743
Improvements	25,000	25,000	11,664	13,336
Total Public Works	55,400	55,400	19,321	36,079

Pickford Township, Michigan**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
OTHER EXPENDITURES				
Payroll taxes	18,700	18,700	17,738	962
Other expenditures	46,913	46,913	11,420	35,493
Total Other Expenditures	65,613	65,613	29,158	36,455
TOTAL EXPENDITURES	420,734	431,324	316,442	114,882
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (131,334)	\$ (141,924)	5,593	\$ 147,517
FUND BALANCES, JULY 1			159,968	
FUND BALANCES, JUNE 30			\$ 165,561	

Pickford Township, Michigan**Budgetary Comparison Schedule
Road Millage
For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Taxes	<u>\$ 98,800</u>	<u>\$ 98,800</u>	<u>\$ 102,424</u>	<u>\$ 3,624</u>
<u>EXPENDITURES</u>				
Public Works	<u>170,506</u>	<u>170,506</u>	<u>118,850</u>	<u>51,656</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (71,706)</u>	<u>\$ (71,706)</u>	<u>(16,426)</u>	<u>\$ 55,280</u>
FUND BALANCES, JULY 1			<u>71,706</u>	
FUND BALANCES, JUNE 30			<u>\$ 55,280</u>	

Pickford Township, Michigan**Budgetary Comparison Schedule
EMS Millage
For the Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Taxes	\$ 55,228	\$ 55,228	\$ 57,371	\$ 2,143
Local Sources	<u>7,000</u>	<u>7,000</u>	<u>8,521</u>	<u>1,521</u>
TOTAL REVENUES	<u>62,228</u>	<u>62,228</u>	<u>65,892</u>	<u>3,664</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>204,455</u>	<u>204,455</u>	<u>20,031</u>	<u>184,424</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (142,227)</u>	<u>\$ (142,227)</u>	45,861	<u>\$ 188,088</u>
FUND BALANCES, JULY 1			<u>142,227</u>	
FUND BALANCES, JUNE 30			<u>\$ 188,088</u>	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Honorable Chairman and Members of
The Board of Trustees
Pickford Township
Pickford, Michigan 49774

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pickford, Michigan, as of and for the year ended June 30, 2006, which collectively comprises the Township of Pickford, Michigan's basic financial statements and have issued our report thereon, dated August 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Chairman and Members
of the Board of Commissioners
Pickford Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed a test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township of Pickford in a separate letter, dated August 23, 2006.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 23, 2006



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Board of Trustees
Pickford Township
Pickford, Michigan 49774

We have audited the financial statements of the Pickford Township for the year ended June 30, 2006, and have issued our report thereon dated August 23, 2006. Professional standards require that we provide; you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control of Pickford Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Pickford Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pickford Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Personal Property Taxes

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This letter is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 23, 2006